

CP13/2^{★★}

Financial Services Authority

Regulatory fees and levies

The Money Advice Service cost allocation
method for 2013/14

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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 22 February 2013.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2013/cp13-02-response.shtml.

Alternatively, please send comments in writing to:

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Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

Abbreviations used in this paper

CP	Consultation Paper
FCA	Financial Conduct Authority
FSA	Financial Services Authority
FSMA	Financial Services and Markets Act
MAS	Money Advice Service

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Overview

- 1.1 In this Consultation Paper (CP) we are consulting on a new proposed method of allocating Money Advice Service (MAS) money advice costs to fee-blocks, with a view to implementing it for 2013/14. The method uses the data the MAS gathers on how consumers use its website, telephone advice line and its face-to-face advice service.
- 1.2 The proposed allocation method affords a clearer link between how consumers use the service the MAS provides and which firms pay for it. The link is not perfect but it replaces the current allocation method that has no such relationship.
- 1.3 We recognise that firms only have a short period to consider these proposals and we want to implement them a year earlier than previously stated. However, we wanted to make firms aware that they have an opportunity to replace the current method, which was intended to apply for only the first year the MAS operated (2010/11).
- 1.4 The MAS is consulting on its business plan¹ for 2013/14. Its money advice budget for 2013/14 is £43.8m (£46.3m 2012/13). Their debt advice budget for 2013/14 is £34.5m (£34.5m 2012/13). We are not proposing any changes to the way it allocates debt advice costs.

Timetable and next steps

- 1.5 The closing date for consultation on all the proposals in this paper is **22 February 2013**.
- 1.6 Taking into account the responses we receive, we will consider whether to adopt this method for calculating the money advice levies for 2013/14. We will consult on this in the FCA fees and levies CP scheduled to be published end of March 2013.

¹ www.moneyadvice.org.uk/en/static/money-advice-service-consults-on-2013-14-business-plan-to-get-more-people-saving-and-managing-debt

Equality and diversity

- 1.7 We carried out an equality impact assessment (EIA) of our fees policy in 2011. Introducing an income measure for intermediary fee blocks in 2013/14 will complete our implementation of its recommendations. The EIA concluded that no other areas of fees policy were relevant to the equalities agenda or might influence behaviour. We believe that the proposals in this CP fall into this category and do not raise equality or diversity questions. However, we would welcome any comments on any equality and diversity issues you believe arise from our proposals.

Who should read this Consultation Paper?

- 1.8 All fee-payers that currently pay money advice levies in the fee-blocks listed in Table 2.2 at the end of Chapter 2.

CONSUMERS

This CP contains no material of direct relevance to retail financial services consumers or consumer groups – although, indirectly, part of our fees are met by financial services consumers.

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Proposed money advice cost allocation method 2013/14

- 2.1** The MAS is funded by the financial services industry through the FSA² raising two levies:
- the money advice levy – which began in 2010/11; and
 - the debt advice levy – which started in 2012/13.
- 2.2** In both cases we use a framework that mirrors the fee-block structure and measures of size (tariff base) we use to raise our own periodic fees. Further details of the current arrangements are available in our annual fees consolidated policy statement PS12/11 (Chapter 10) published in May 2012. The rule provisions for these levies are in a separate chapter of the Fees Manual, FEES 7.³
- 2.3** For 2010/11, the first year the MAS operated, we allocated its money advice costs to fee-blocks in the same proportion as we allocated our costs for that year. This was intended to be temporary, pending a review by the MAS to find an alternative allocation method to better reflect its strategic priorities.
- 2.4** The review was deferred in subsequent years and in May 2012, when we confirmed the levies to the industry for this current year, we advised that the MAS would be collecting relevant data to review the current funding model for 2014/15.
- 2.5** At the end of 2012 the MAS asked us to support it in developing a revised cost allocation method using the data it has collected to date so we could use this revised basis for calculating money advice levies for 2013/14 – a year earlier than planned.

² Financial Conduct Authority (FCA) from 2013/14.

³ FEES 7 continues to refer to CFEB, the previous name of the MAS.

- 2.6 We are now consulting on these proposals and, taking into account the responses we get, we will consider whether to adopt this basis for calculating the money advice levies for 2013/14. We will consult on the actual amount in the FCA fees and levies CP, which we will publish at the end of March 2013.
- 2.7 The MAS is consulting on its business plan⁴ for 2013/14. Its money advice budget for 2013/14 is £43.8m (£46.3m 2012/13). Its debt advice budget for 2013/14 is £34.5m (£34.5m 2012/13). We are not proposing any changes to the way it allocates debt advice costs.

Proposals

- 2.8 The MAS is proposing to use the data they gather on how people use its website, telephone advice line and its face-to-face advice service as a basis for allocating its money advice costs across fee-blocks. The levels of consumer usage of these services can be quantified in terms of volumes of consumer contacts in specific subject areas.
- 2.9 Table 2.1 at the end of this chapter sets out the range of subject areas consumers use, the proportion of total contacts each area attracts and which fee-blocks they have been mapped to. We have taken a ‘best fit’ approach to mapping the subject areas with the regulated activity based fee-blocks. Where we have mapped a subject area across more than one fee-block the data is apportioned equally across them all, as currently we have no basis for doing otherwise.
- 2.10 There are other consumer usage subject areas that the MAS collects data on. These relate to key life events such as bereavement, divorce, starting a family and losing your job. This data represents 35% of the total usage data the MAS collects. We do not believe it is possible to map this data to regulated activity driven fee-blocks.
- 2.11 Table 2.2 at the end of this chapter sets out how the mapping of consumer usage subject areas translates into the proportions of money advice costs allocated across fee-blocks. This table compares the proposed basis with the current one, using 2012/13 costs to illustrate the impact on the total levies that would be recovered from the fee-blocks if the proposed method is adopted.
- 2.12 The proposed allocation method gives a clearer link between how consumers use the money advice service provided by the MAS and which firms pay for it. The link is not perfect but it replaces an allocation method that has no such relationship.

Minimum levy

- 2.13 Currently the MAS money advice minimum levy is £10 and is paid by firms if they are in at least one of the fee-blocks listed in Table 2.2. Firms that fall below the size thresholds that trigger the variable levy only pay £10.

⁴ www.moneyadvice.org.uk/en/static/money-advice-service-consults-on-2013-14-business-plan-to-get-more-people-saving-and-managing-debt

- 2.14** We are proposing that this approach to a minimum levy continues if the proposed allocation of costs method is adopted. This will mean that a firm, only in one of the fee-blocks which is not allocated any costs, will pay £10. Operationally it does not cost us any more to recover these minimum levies, as they are collected in the same way as the other regulatory fees firms pay through our single invoice.
- 2.15** However, we intend to consider a higher minimum levy for those firms that fall into at least one of the fee-blocks where no costs are allocated: A.5; A.6; A.14 and G in Table 2.2, and they exceed the size thresholds. If the proposed allocation method is adopted we will consult further on this in the March fees rates CP. In the meantime we are seeking views from firms on whether, in principle, such firms should pay a higher minimum fee than the current £10.

Consultation questions

- 2.16** We recognise that firms only have a short period to consider these proposals and we are making them for implementation a year earlier than previously stated. However, we wanted to give firms an opportunity to replace the current method, which was only intended to apply for one year.
- 2.17** When we change the basis for levying fees there are always winners and losers. Responses to fees/levy consultations generally reflect this. The questions below are aimed at drawing views from both so we can take both into account.
- Q1:** Do you agree that we should use the consumer-usage data that the MAS collects to allocate money advice costs to fee-blocks? If you do not agree, please give your reasons and suggest an alternative.
- Q2:** Do you agree with how the consumer-usage data has been mapped to the fee-blocks? If you do not agree please give your reasons and suggest an alternative.
- Q3:** What should be the minimum levy paid by a firm that is in at least one of the fee-blocks where costs are allocated: A.1; A.2; A.3; A.4; A.7; A.9; A.10; A.12; A.13; A.18; and A.19 fee-blocks?
- Q4:** Should firms that are in at least one of the fee-blocks where costs are not allocated: A.5; A.6; A.14 and G fee-blocks, who exceed the size thresholds, pay higher minimum fees?

MAS data

- 2.18** The data that the MAS has provided in Table 2.1 is based on the available accumulated monthly amounts between August and November 2012. The data month by month does not vary greatly. If we adopt the proposed allocation method the 2013/14 levies consulted on in March will be based on accumulated data for six months. We will then allocate 2014/15 MAS money advice costs from data collected by the MAS for the whole of 2013. We will use updated annualised data each year after that.

Compatibility Statement

- 2.19** When we issue rules for consultation, we are required by Section 155(2)(c) of the Financial Services and Markets Act (FSMA) to explain why we believe our proposals are compatible with our general duties under Section 2 of FSMA and our statutory objectives, which are set out in Sections 3 to 6 of FSMA. This is known as a ‘compatibility statement’. Section 155(9) of FSMA exempts us from having to carry out a cost benefit analysis on our policy proposals for FSA fees and levies for the Financial Ombudsman Service and the MAS.
- 2.20** These proposals we are consulting in this CP build on our earlier consultations on the policy framework for the funding arrangements for the MAS and we believe that the current proposals are compatible with our general duties in Section 2 of FSMA.
- 2.21** In carrying out our duties, we are required to act in a way that is compatible with our statutory objectives (market confidence and market stability, protection of consumers, and reduction of financial crime), and the MAS objective of enhancing public understanding of financial matters. These proposals relate to the method of allocating the costs the MAS incur in providing the money advice service which they need to meet its statutory remit to enhance the understanding and knowledge of members of the public on financial matters, and their ability to manage their own financial affairs.
- 2.22** In terms of compatibility with the principles of good regulation the most relevant is whether the burden of a proposal is proportionate to the benefits that are expected to arise from its imposition. We believe that the proposed allocation method meets this principle because it gives a clearer link between how consumers use the money advice service provided by the MAS and which firms pay for it.

Table 2.1

Consumer usage subject areas	% of total contacts	Relevant fee-blocks
Money Topics		
Saving and investing	5.9	1,4,7,9,10
Borrowing money	3.9	1
Managing debt	5.4	1,2
Homes and mortgages	15.0	2
Insurance	2.8	3,4
Pensions and retirement	8.6	4,7,10
Managing Your Money		
How to review or reduce borrowing	0.8	1
Bank accounts and credit or debit cards	7.2	1
Financial help and advice	2.6	12,13,18,19
Comparison Tables		
Credit Cards	0.4	1
Current Accounts	1.0	1
Loans	0.1	1
Annuities	8.1	4
Pension and SIPPS	1.4	4,7,10
Savings Accounts	2.5	1
Cash ISAs	2.3	1
Mortgages	3.3	2
Investments	0.8	4,7,9,10
Tools		
Debt test	1.8	1,2
Loan calculator	3.9	1
Mortgage calculator	11.5	2
Pension calculator	9.4	4,7,10
Savings calculator	1.3	1
Total	100	

Table 2.2

Fee-block	Current allocation basis		Proposed allocation basis		Impact of proposed allocation method
	Proportion based on FSA 2010/11 allocations	Amount allocated 2012/13* £m	Proportion based on usage subject areas	Amount allocated £m	
A.0 Minimum fee	0.4%	0.2	0.4%	0.2	0.0%
A.1 Deposit acceptors	31.6%	14.7	28.2%	13.1	-10.9%
A.2 Home finance providers and administrators	2.4%	1.1	33.4%	15.5	1309.1%
A.3 Insurers – general	7.5%	3.5	1.4%	0.6	-82.9%
A.4 Insurers – life	11.8%	5.5	11.2%	5.2	-5.5%
A.5 Managing Agents at Lloyd's	0.2%	0.1	0.0%	0	-100.0%
A.6 The Society of Lloyd's	0.4%	0.2	0.0%	0	-100.0%
A.7 Fund managers	7.5%	3.5	9.9%	4.6	31.4%
A.9 Operators, Trustees and Depositories of collective investment schemes etc	1.5%	0.7	3.3%	1.5	114.3%
A.10 Firms dealing as principal	7.1%	3.3	9.8%	4.6	39.4%
A.12 Advisory arrangers, dealers or brokers (holding or controlling client money or assets, or both)	6.5%	3.0	0.7%	0.3	-90.0%
A.13 Advisory arrangers, dealers or brokers (not holding or controlling client money or assets, or both)	9.9%	4.6	0.7%	0.3	-93.5%
A.14 Corporate finance advisors	1.9%	0.9	0.0%	0	-100.0%
A.18 Home finance providers, advisers and arrangers	3.4%	1.6	0.7%	0.3	-81.3%
A.19 General insurance mediation	7.5%	3.5	0.7%	0.3	-91.4%
G. Firms covered by Payment Services Regulations 2009 (PSRs) and Electronic Money Regulations 2011 (EMRs)	0.2%	0.1	0.0%	0	-100.0%
Total	100%	46.5	100%	46.5	0%

*Based on figures listed in Table 18.2 Chapter 18 of PS12/11 (May 2012)

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